

**REDEVELOPMENT AGENCY
OF PLACER COUNTY**

(A Component Unit of the County of Placer, California)

Independent Auditor's Reports, Management's Discussion and
Analysis, Basic Financial Statements, Required Supplementary
Information and Supplemental Information

For the Year Ended June 30, 2005

**REDEVELOPMENT AGENCY OF PLACER COUNTY
FOR THE YEAR ENDED JUNE 30, 2005**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors of
Redevelopment Agency of the
Placer County, California

We have audited the accompanying financial statements of the governmental activities and major funds of the Redevelopment Agency of the Placer County (Agency), a component unit of the County of Placer, California, as of and for the year ended June 30, 2005, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Agency. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major funds of the Agency as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 9 and the budgetary comparison information on page 21 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2005, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors of
The Redevelopment Agency of the
Placer County, California

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplemental information identified in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements of the Agency. This supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BARTIG, BASLER & RAY, CPAs, INC.

Bartig, Basler & Ray, CPAs, Inc.

November 1, 2005
Roseville, California

**REDEVELOPMENT AGENCY OF PLACER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

As management of the Redevelopment Agency of Placer County (the Agency), a component unit of the County of Placer, we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the Agency's basic financial statements, which begin on page 10.

Financial Highlights

- The assets of the Agency exceeded its liabilities at the close of the most recent fiscal year by \$7,335,975 (net assets).
- As of the close of the current fiscal year, the Agency's governmental funds reported ending fund balance of \$8,067,758.
- The Agency had total revenues of \$5,708,987 and program expenses of \$2,164,104 for the year ended June 30, 2005.
- The Agency accrued interest on long-term debt in the amount of \$16,910, and paid back in principal \$726,627 to the County.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The *statement of activities* presents information showing how the Agency's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements report on the function of the Agency that is principally supported by intergovernmental revenues. The Agency's function is to improve, rehabilitate and develop certain areas within the County. This is funded primarily with incremental property tax revenue.

The government-wide financial statements can be found on pages 10 and 11 of this report.

**REDEVELOPMENT AGENCY OF PLACER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The special revenue and capital projects funds are governmental funds used to account for essentially the same function reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The Agency maintains major governmental funds for: its special revenue and capital projects funds in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental funds and *governmental activities*. The governmental fund financial statements can be found on pages 12 through 14 of this report.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15 through 20 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$7,335,975 at the close of the most recent fiscal year.

The Agency has a \$779,243 invested in capital assets, net of related debt (e.g., land, equipment, infrastructure and construction in progress). Any investment in capital assets restricts the use of assets for future spending. The unrestricted net assets of the Agency are available for future use to provide program services.

**REDEVELOPMENT AGENCY OF PLACER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

Agency's Net Assets

	Governmental Activities		
	2005	2004 (Restated)	Variance (%)
Current and other assets	\$ 9,489,017	\$ 7,003,969	35.5%
Capital assets, net	<u>1,259,243</u>	<u>500,026</u>	<u>151.8%</u>
Total assets	<u>10,748,260</u>	<u>7,503,995</u>	<u>43.2%</u>
Long-term liabilities	3,276,337	3,684,617	-11.1%
Other liabilities	<u>135,948</u>	<u>28,286</u>	<u>380.6%</u>
Total liabilities	<u>3,412,885</u>	<u>3,712,903</u>	<u>-8.1%</u>
Invested in capital assets	779,243	500,026	55.8%
Unrestricted	<u>6,556,732</u>	<u>2,916,485</u>	<u>99.2%</u>
Total net assets	<u>\$ 7,335,975</u>	<u>\$ 3,791,092</u>	<u>93.5%</u>

The balances presented above and on page 6 include the effect of a restatement that reduced the beginning balance of net assets at July 1, 2004, by \$1,784,149. The Agency made a change in accounting for long-term notes receivable. In prior years, long-term notes receivable were offset against a fund balance reserve. Now, long-term notes receivable are being offset against deferred revenue and will be recognized as revenue upon repayment of the notes. Additional information is provided in Note H of the notes to the basic financial statements.

The net assets of the Agency increased by \$3,544,883 during the current fiscal year. The increase in net assets reflects unrestricted reserves for future Capital Projects and Housing Program expenditures. The Agency's primary source of revenue is property taxes, referred to in the accompanying basic financial statements as "property tax increment." Property taxes allocated to the Agency are computed in the following manner:

- a. The assessed valuation of all property within each Agency project area is determined on the date of adoption of the Redevelopment Plan by a designation of a fiscal year assessment roll.
- b. Property taxes related to the incremental increase in assessed values after the adoption of the Redevelopment Plan are allocated to the Agency; all taxes on the "frozen" assessed valuation of the property are allocated to the County and other districts receiving taxes from the project area.

**REDEVELOPMENT AGENCY OF PLACER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

Agency's Change in Net Assets

	Governmental Activities		
	<u>2005</u>	<u>2004 (Restated)</u>	<u>Variance (%)</u>
Revenue:			
Program revenue:			
Charges for services	\$ -	\$ 25,536	-100.0%
Operating grants and contributions	844,387	421	100.0%
General revenue:			
Property tax increment	4,686,119	3,457,811	35.5%
Interest earnings	178,481	90,424	97.4%
Miscellaneous	-	6,183	-100.0%
Total revenue	<u>5,708,987</u>	<u>3,580,375</u>	<u>59.5%</u>
Expenses:			
Planning and administration	1,721,047	1,690,078	1.8%
Project loans	426,147	987,725	-56.9%
Interest on long-term debt	16,910	27,965	-39.5%
Total expenses	<u>2,164,104</u>	<u>2,705,768</u>	<u>-20.0%</u>
Change in net assets	3,544,883	874,607	305.3%
Net assets, beginning of year, as restated	<u>3,791,092</u>	<u>2,916,485</u>	<u>30.0%</u>
Net assets, end of year	<u><u>\$ 7,335,975</u></u>	<u><u>\$ 3,791,092</u></u>	<u><u>93.5%</u></u>

Fund Financial Analysis

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency's governmental funds are discussed below:

GOVERNMENTAL FUNDS

The focus of the Agency's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

**REDEVELOPMENT AGENCY OF PLACER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

As of the end of the current fiscal year, the Agency's governmental funds reported an ending fund balance of \$8,067,758. This includes a decrease in beginning fund balance for the Low and Moderate Income Special Revenue Fund of \$1,609,149 and a decrease in the beginning fund balance for the Capital Projects Fund of \$175,000 due to a change in accounting for long-term notes receivable. In prior years, long-term notes receivable were offset against a reserve. Now long-term notes receivable are being offset against deferred revenues and will be recognized as revenue upon repayment of the notes. The fund balance primarily represents the accumulation of incremental property tax and interest income in excess of expenditures. The excess fund balance will be used for low and moderate housing program expenditures and specific capital projects within the project area.

**Revenues by Source
Governmental Funds**

	FY2005		FY2004		Increase/Decrease	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Taxes	\$ 4,686,119	82.1%	\$ 3,457,811	96.6%	\$ 1,228,308	57.7%
Investment earnings	178,481	3.1%	90,424	2.5%	88,057	4.1%
Operating grants & contrib	844,387	14.8%	-	0.0%	844,387	39.7%
Charges for services	-	0.0%	25,536	0.7%	(25,536)	-1.2%
Miscellaneous	-	0.0%	6,183	0.2%	(6,183)	-0.3%
Total revenues	<u>\$ 5,708,987</u>	<u>100.0%</u>	<u>\$ 3,579,954</u>	<u>100.0%</u>	<u>\$ 2,129,033</u>	<u>100.0%</u>

**Expenditures by Function
Governmental Funds**

	FY2005		FY2004		Increase/Decrease	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Administration and planning	\$ 1,710,506	47.1%	\$ 1,681,078	72.3%	\$ 29,428	2.2%
Project loans	426,147	11.7%	-	0.0%	426,147	32.5%
Capital outlay	759,764	20.9%	502,806	21.6%	256,958	19.6%
Debt service:						
Principal	726,627	20.0%	82,560	3.6%	644,067	49.2%
Interest	11,843	0.3%	57,440	2.5%	(45,597)	-3.5%
Total expenditures	<u>\$ 3,634,887</u>	<u>100.0%</u>	<u>\$ 2,323,884</u>	<u>100.0%</u>	<u>\$ 1,311,003</u>	<u>100.0%</u>

**REDEVELOPMENT AGENCY OF PLACER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

During fiscal 2005 year, the Agency continued to make strides in the North Auburn, Sunset and North Lake Tahoe Project Areas.

Capital Projects Fund Activity

North Lake Tahoe: The Agency made two major purchases of land for purposes of constructing public parking lots to support the revitalization of the business community along Highway 28. Additionally, construction was completed on the Brook Avenue Public Parking Lot in Kings Beach.

The Agency began preparation of a Memorandum of Understanding with the Tahoe Regional Planning Agency to initiate formal revisions on policies and processes of mutual agreement to better serve our public.

The Agency Board approved initiating the process to remediate a contaminated site in Kings Beach located in a key area of commercial activity.

Additionally, the Agency funded two Main Street Program efforts.

North Auburn / Bowman Area:

The Agency has initiated negotiations with a developer to create a new Auburn Plaza development along Hwy 49. This development will provide many jobs as well as provide for major and critical public street improvements.

The Bowman community entrance sign was completed.

The coming year project and goals will include:

- Dedication of the Brook Avenue Parking Lot
- Initiation of clean-up of a contaminated site in Kings Beach
- Application for financing the construction of two parking lots in Kings Beach
- Completion of the financing strategy for Auburn Plaza
- Financing lighting for a pedestrian trail in Tahoe City

Low and Moderate Income Housing Special Revenue Fund Activity

North Lake Tahoe

During the current fiscal year, the Agency provided financial commitments to a developer of low and moderate income housing in Tahoe Vista in the Cedar Grove development. Also, the Agency received approval of their first Moderate Income Housing Program Plan from the Tahoe Regional Planning Agency.

Future efforts include:

- Purchasing land in North Lake Tahoe for housing for First Time Homebuyers or Employee Housing.
- Continuing to pursue housing infill projects in all redevelopment project areas and where possible, Countywide.

**REDEVELOPMENT AGENCY OF PLACER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

Capital Assets

As of June 30, 2005, the Agency has an investment in capital assets of \$1,259,243. During the year ended June 30, 2005, the Agency completed the Bowman Community Sign for \$64,925 and acquired land for \$480,000 as part of the Minnow Avenue project and had \$427,441 in construction in progress.

For additional information, see Note D in the notes to the basic financial statements.

Long-Term Debt

The Agency received a Community Development Investment Act loan from Wells Fargo Bank for \$500,000, an additional \$302,124 from CHFA and repaid a portion of the Advances from Placer County. This resulted in a balance of \$1,900,468 in long-term debt as of June, 30 2005.

For additional information, see Note E in the notes to the basic financial statements.

Budgetary Highlights

The actual expenditures were \$3,634,887 or 63% under budget reflecting the incomplete status of various projects appropriated in the prior budget cycle, but not incurred at June 30, 2005.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Agency's budget for the 2006 fiscal year:

- Tax increment (net of pass throughs to local agencies) from the three project areas for the governmental funds is projected to increase from \$4,686,119 (FY 2005 Actual) to \$6,131,142 (FY 2006 Final Budget), an increase of 23% with a total Agency budget of \$12,368,342.
- The increase in tax increment takes into account the reduction in tax increment because of the Educational Revenue Augmentation Funding (ERAF) shift of tax increment from the Agency to the state. The Agency's estimated ERAF shift totals \$356,720. This shift does not affect the Housing Set-Aside portion of tax increment.
- The Agency has appropriated \$435,358 to repay a portion of the Agency's prior year County loan of \$547,694. This is the third consecutive year the Agency has repaid a portion of the Agency's County loan. With this payment, the Agency will have an accumulated loan balance for the current fiscal year owed to the County of \$112,336.

Contacting the Agency's Financial Management

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Senior Administrative Services Officer, Cindy Kelly, Placer County Redevelopment Agency, 11493 B Avenue, Auburn, California 95603.

**BASIC FINANCIAL STATEMENTS –
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

REDEVELOPMENT AGENCY OF PLACER COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities
ASSETS	
Cash and investments	\$ 7,415,477
Deposits	3,300
Due from other governments	781,993
Notes receivable	1,190,311
Property held for resale	95,000
Prepaid expenses	2,936
Capital assets, net	1,259,243
Total assets	<u>10,748,260</u>
LIABILITIES	
Accounts payable	15,205
Accrued payroll	60,743
Due to other governments	60,000
Deferred revenue	1,285,311
Long-term liabilities:	
Due within one year	163,398
Due in more than one year	1,827,628
Total liabilities	<u>3,412,285</u>
NET ASSETS	
Invested in capital assets, net of related debt	779,243
Unrestricted	6,556,732
Total net assets	<u><u>\$ 7,335,975</u></u>

The notes to the basic financial statements are an integral part of this statement.

**REDEVELOPMENT AGENCY OF PLACER COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

REDEVELOPMENT AGENCY PROGRAM EXPENSES

Governmental activities:	
Planning and administration	\$ 1,721,047
Project loans	426,147
Interest on long-term debt	<u>16,910</u>
Total program expenses	2,164,104

PROGRAM REVENUE

Operating grants and contributions	<u>844,387</u>
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NET PROGRAM EXPENSE	<u>1,319,717</u>
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GENERAL REVENUE

Taxes:	
Property tax increment	4,686,119
Interest earnings	<u>178,481</u>
Total general revenue	<u>4,864,600</u>

Change in net assets	3,544,883
Net assets, beginning of year, as restated	<u>3,791,092</u>
Net assets, end of year	<u><u>\$ 7,335,975</u></u>

The notes to the basic financial statements are an integral part of this statement.

**BASIC FINANCIAL STATEMENTS –
FUND FINANCIAL STATEMENTS**

REDEVELOPMENT AGENCY OF PLACER COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	Low and Moderate Income Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash and investments	\$ 1,318,425	\$ 6,097,052	\$ 7,415,477
Deposits	3,300	--	3,300
Due from other governments	757,532	24,461	781,993
Notes receivable	1,002,288	188,023	1,190,311
Property held for resale	95,000	--	95,000
Prepaid items	726	2,210	2,936
Total assets	<u>\$ 3,177,271</u>	<u>\$ 6,311,746</u>	<u>\$ 9,489,017</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 2,775	\$ 12,430	\$ 15,205
Accrued payroll	33,609	27,134	60,743
Deferred revenue	1,097,288	188,023	1,285,311
Due to other governments	<u>60,000</u>	<u>--</u>	<u>60,000</u>
Total liabilities	<u>1,193,672</u>	<u>227,587</u>	<u>1,421,259</u>
Fund balances:			
Reserved for encumbrances	77,045	155,246	232,291
Unreserved, designated for capital asset acquisition	--	450,000	450,000
Unreserved, undesignated	<u>1,906,554</u>	<u>5,478,913</u>	<u>7,385,467</u>
Total fund balances	<u>1,983,599</u>	<u>6,084,159</u>	<u>8,067,758</u>
Total liabilities and fund balances	<u>\$ 3,177,271</u>	<u>\$ 6,311,746</u>	<u>\$ 9,489,017</u>

**RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS:**

Fund balances - from above	\$ 8,067,758
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,259,243
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,991,026)</u>
Net assets of governmental activities	<u><u>\$ 7,335,975</u></u>

The notes to the basic financial statements are an integral part of this statement.

REDEVELOPMENT AGENCY OF PLACER COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Low and Moderate Income Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Taxes	\$ 1,285,131	\$ 3,400,988	\$ 4,686,119
Use of money and property	64,799	113,682	178,481
Intergovernmental	728,669	115,718	844,387
Total revenues	<u>2,078,599</u>	<u>3,630,388</u>	<u>5,708,987</u>
Expenditures:			
Current:			
Administration and planning	467,057	816,755	1,283,812
Payments to other agencies	174,779	251,915	426,694
Project loans	302,124	124,023	426,147
Capital outlay:			
Land acquisition	--	485,000	485,000
Project costs	--	274,764	274,764
Debt service:			
Principal	603,214	123,413	726,627
Interest	11,843	--	11,843
Total expenditures	<u>1,559,017</u>	<u>2,075,870</u>	<u>3,634,887</u>
Excess of revenues over expenditures	<u>519,582</u>	<u>1,554,518</u>	<u>2,074,100</u>
Other financing sources:			
Proceeds from long-term debt	<u>302,124</u>	<u>500,000</u>	<u>802,124</u>
Total other financing sources	<u>302,124</u>	<u>500,000</u>	<u>802,124</u>
Net change in fund balances	821,706	2,054,518	2,876,224
Fund balances, beginning of year, as restated	<u>1,161,893</u>	<u>4,029,641</u>	<u>5,191,534</u>
Fund balances, end of year	<u><u>\$ 1,983,599</u></u>	<u><u>\$ 6,084,159</u></u>	<u><u>\$ 8,067,758</u></u>

The notes to the basic financial statements are an integral part of this statement.

(continued)

REDEVELOPMENT AGENCY OF PLACER COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (Continued)

GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES:**

Net change in fund balances - Page 13	\$ 2,876,224
Principal repayment of advances from the County is an expenditure in the government funds but reduces the liability on the statement of net assets.	735,281
The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets.	(802,124)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	759,764
Depreciation expense	(547)
Interest expense accruing on advances from the County is an expense in the statement of activities not requiring the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(13,721)
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(9,994)
CHANGE IN NET ASSETS	<u><u>\$ 3,544,883</u></u>

The notes to the basic financial statements are an integral part of this statement.

**REDEVELOPMENT AGENCY OF PLACER COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity

The Redevelopment Agency (Agency) of Placer County, California (County) was formed in April 1991 for the purpose of administering and financing the development of certain areas within the County. The Agency's Board of Directors is composed of the Board of Supervisors of the County. The Agency is therefore reported as a component unit of the County. The Agency has created three redevelopment project areas within the County, as follows: the North Lake Tahoe Redevelopment Project, established in July 1996; the Sunset Industrial Redevelopment Project, established in June 1997; and the North Auburn Redevelopment Project, established in June 1997.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the Agency's activities. For the most part, the effect of interfund activity has been removed from these statements. The Agency is only engaged in governmental activities, which normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meetings the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal year.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered being susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the Agency receives cash.

**REDEVELOPMENT AGENCY OF PLACER COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

The Agency reports the following major governmental funds:

Low and Moderate Income Special Revenue Fund is used to account for tax increment revenues, which will be used by the Agency for the purposes of increasing and improving the County's supply of housing for persons and families of low or moderate income.

Capital Projects Fund accounts for loans and advances from the Agency, bond proceeds available for project improvements, interest income on invested funds and certain miscellaneous income for each of the Agency's three redevelopment project areas. Expenditures from these funds are primarily for administrative expenditures and development project costs.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded to reserve the applicable appropriations, is employed in the special revenue and capital projects funds. Encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities. The Agency does, however, honor the contracts represented by year-end encumbrances and the subsequent year's appropriations provide authority to complete these transactions. Unencumbered budget appropriations lapse at the end of the year.

Property Taxes

All property taxes are collected and allocated by the County of Placer to the various taxing entities. Property taxes are determined annually as of March 1 and attach as an enforceable lien on real property as of January 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. The County bills and collects property taxes and remits them to the Agency. The Agency participates in the County "Teeter Plan" method of property tax distribution. Under the Teeter Plan, the County remits property taxes to the Agency based upon assessments, not collections. Property tax revenue is recognized when it is available and measurable. The Agency considers property taxes as available if they are apportioned within 60 days after year-end.

Property Held for Resale

The Agency has purchased property within the defined redevelopment area with the intent to resale at a later date. Such property is accounted for at the lower of cost, estimated net realizable value, or agreed-upon sales price if a disposition agreement has been made with a developer.

Compensated Absences

The Agency reports a liability for compensated absences that is attributable to services already rendered as of June 30, 2005 and that are not contingent on a specific event that is outside the control of the Agency, such as employee illness. This liability is based on the probability that the Agency will eventually compensate the employees for the benefits through paid time-off or some other means, such as annual leave cash-outs or cash payments at termination or retirement. The liability is calculated based on pay rates in effect at June 30, 2005, in addition to those salary-related payments that are directly and incrementally associated with payments made for compensated absences on termination, Social Security and Medicare taxes.

All regular employees of the Agency earn paid vacations annually. The amount of vacation hours is based on the years of continuous service and the bargaining unit to which the employee belongs. Except for management employees, no more than 400 hours, or 520 hours after 10 continuous years of service, may be accumulated as of the last day of the first full pay period of each calendar year. Management employees can accumulate up to 520 hours. Also, regular employees are given credit for eight hours sick leave each month of employment with unlimited accumulation. Upon termination, employees are entitled to lump sum payment for accrued vacation. All compensated absences pay is accrued when incurred in the government-wide financial statements.

**REDEVELOPMENT AGENCY OF PLACER COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that do not represent expendable available resources or are legally segregated for specific future uses. The Agency has reserved \$232,291 for encumbrances.

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Implementation of New Accounting Standard

On July 1, 2004, the Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosure – an amendment of GASB Statement No. 3*. The Statement modifies the custodial credit risk disclosures required by GASB Statement No. 3 and addresses deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. Accordingly, the cash and investments disclosure has been revised to conform to the provisions of GASB Statement No. 40.

NOTE B: CASH AND INVESTMENTS

Cash and investments shown on the statement of net assets and the balance sheet represent the Agency's share of the County's cash and investment pool. The Agency involuntarily participates in the cash and investment pool. Interest earnings from this pool are transferred to the Agency on a monthly basis. The County has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134. Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Pools*. However, the value of the pool shares in the County, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the Agency's position in the pool.

GASB Statement No. 40 requires additional disclosures about a government's deposits and investments risks that include credit risk, custodial credit risk, concentration of credit risk and interest rate risk. The Agency has no deposit or investment policy that addresses a specific type of risk.

Required disclosures for the Agency's deposit and investment risks at June 30, 2005 were as follows:

Credit risk	Not rated
Custodial risk	Not applicable
Concentration of credit risk	Not applicable
Interest rate risk	274 days

Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's comprehensive annual financial report and may be obtained by contacting the County Auditor-Controller's Office at 2970 Richardson Drive, Dewitt Center, Auburn, CA 95603.

At June 30, 2005, the Agency also has \$17,931 bank balance on deposit with an outside financial institution. This amount is fully insured by federal depository insurance.

**REDEVELOPMENT AGENCY OF PLACER COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE C: NOTES RECEIVABLE

The Agency has a notes receivable balance of \$1,190,311 made up of eleven loans as follows:

The Agency loaned the Auburn Court Apartments, a California Limited Partnership, \$39,000 for the payment of impact fees for a 60-unit affordable housing development within the County. The loan is non-interest bearing except in the event of default and the principal payment has been deferred for fifty-five years. The note is secured by a deed of trust on the Auburn Court Apartments fee interest in the property.	39,000
During the year ending June 30, 2002, the Agency loaned Tahoe Lake Forest, LLC, \$650,000 for land acquisition costs for a 28-unit affordable housing development within the County. This loan was repaid on May 4, 2005. Interest was charged from January 15, 2002, per the terms of the Note. A \$30,000 credit was authorized at payoff, for work product that was beneficial to the Agency. Total payoff was \$684,377. The Placer County Trust Fund was repaid its contribution to the loan (\$350,000) plus its prorated portion of interest. Total repayment to the Trust Fund was \$368,511. The Agency also entered into unsecured notes in the amounts of \$500,000 and \$100,000 with Affordable Housing Development Corporation, to assist in predevelopment costs on the Cedar Grove Project. These notes were funded with California Housing Finance Agency funds (see "Long-Term Debt"). Both notes accrue interest at 2%; however, interest accrual is deferred until the developer has obtained final commitments of an economically viable financing structure for the acquisition and development of the project. Payments are deferred until the notes mature. As of June 30, 2005, the principal amount of \$545,446 has been drawn down.	545,446
The Agency also increased the note/loan draw-down agreement with Auburn Silverbend, L.P., a California Limited Partnership to 229,057 by consolidating the previous principal balance of 79, 057 with a loan of California Housing Finance Agency funds in the amount of \$150,000 (see "Long-Term Debt"). As of June 30, 2004, Auburn Silverbend has been advanced net of principal repayments of \$229,057. The note bears interest at 3% simple interest on the principal outstanding amortized over thirty years. The note is secured by a guaranty made by A.H.D.C. Inc., a California corporation.	229,057
One First Time Home Buyer Loan was funded with North Auburn Housing Set-Aside funds in the amount of \$60,000.	60,000
During the year ended June 30, 2005, two commercial Façade Improvement Loans (Boards in Motion, \$15,592 and Magnussen Dodge, \$97,431) were made in the North Auburn Project Area using North Auburn Project Area Tax Increment funds.	113,023
During the year ended June 30, 2004, two commercial Façade Improvement Loans (Sun 'n' Sand Lodge, \$15,000 and Davis-Gott Landholdings Commercial Building, \$60,000) were made in the North Tahoe Project Area using North Tahoe Project Area Tax Increment funds.	75,000
The Agency also entered into a note and loan agreement in the amount of \$700,000 with Affordable Housing Development Corporation, Inc. (AHDC) to assist with predevelopment costs on Cimmeron Ridge, an affordable multifamily rental project in the North Auburn Project Area. This note was funded with California Housing Finance Agency Funds (see "Long-Term Debt), and accrues 2% interest, compounded per annum on principal outstanding,. As of March 2005, \$203,347 had been drawn down. AHDC was unable to obtain final commitments of a viable financing structure; therefore, in April 2005, per the risk-sharing provision of the Note, the Agency reduced the note balance by 25% (\$50,837) in order to collect 75% of its initial investment plus interest from Nov 9, 2004 (the date the project was declared unfeasible). AHDC has repaid \$23,725 in principal and \$1,275 in interest. Per negotiations between the Agency and the managing partner of AHDC, the balance of principal and interest is due the sooner of maturity, October 6, 2006, or upon recordation of a construction trust deed on the above-mentioned Cedar Grove Project, at which time the unused portion of the Cimmeron Ridge loan will be reallocated to the Cedar Grove Project.	128,785
Total notes receivable	<u>\$1,190,311</u>

**REDEVELOPMENT AGENCY OF PLACER COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE D: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 284,734	\$ 480,000	\$ -	\$ 764,734
Construction in progress	212,602	267,533	(52,694)	427,441
Total capital assets not being depreciated	497,336	747,533	(52,694)	1,192,175
Capital assets, being depreciated:				
Equipment	5,470	-	-	5,470
Infrastructure	-	64,925	-	64,925
Total capital assets being depreciated	5,470	64,925	-	70,395
Less accumulated depreciation for:				
Equipment	(2,780)	(547)	-	(3,327)
Infrastructure	-	-	-	-
Total accumulated depreciation	(2,780)	(547)	-	(3,327)
Total capital assets, being depreciated, net	2,690	64,378	-	67,068
Capital assets, net	\$ 500,026	\$ 811,911	\$ (52,694)	\$ 1,259,243

NOTE E: LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Advances from the County/Loan payable to the County	\$ 1,269,254	\$ 13,721	\$ 735,281	\$ 547,694	\$ 150,000
California Housing Finance Agency	596,668	302,124	-	898,792	-
Wells Fargo	-	500,000	-	500,000	-
Compensated absences	34,546	9,994	-	44,540	13,398
Governmental activity					
Long-term liabilities	\$ 1,900,468	\$ 825,839	\$ 735,281	\$ 1,991,026	\$ 163,398

Advances from the County of \$547,694 consist of funds advanced for administrative and project costs in establishing the Agency and the three project areas. Interest on the advances is computed at the County Treasurer's Investment Pool Rate. There is no maturity date or repayment schedule for these loans. During the year ended June 30, 2005, the Agency repaid \$735,281 back to the County's general fund and budgeted repayment of \$150,000 next fiscal year. For the year ended June 30, 2005, the average interest rate of the Treasurer's Investment Pool was 1.99%.

**REDEVELOPMENT AGENCY OF PLACER COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE E: LONG-TERM DEBT (Continued)

During the year ended June 30, 2002, the Agency entered into a loan agreement with the California Housing Finance Agency in the amount of \$1,500,000. The loan has an interest rate of 3% per annum and matures on October 2, 2012. No repayment is due until the maturity date. Year-to-date draws by the Agency in the amount of \$898,792 consist of loans to Affordable Housing Development Corporation (AHDC) for predevelopment costs on three multifamily projects: the Cedar Grove Project (\$545,446), in the North Tahoe Project Area, additional advance of \$150,000 to the Silverbend Project in the North Auburn Project Area, and the Cimmaron Ridge Project (\$203,346), no longer a viable project. The Cedar Grove and Silverbend projects will potentially contribute up to 252+ units of affordable rental housing in Placer County.

During the year ended June 30, 2005, the Agency entered into a loan agreement with Wells Fargo Bank for \$500,000. The loan has an interest rate of 2% per annum and matures on September 7 2009. No repayment is due until the maturity date.

NOTE F: RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency is included within the terms of the County of Placer's insurance coverage. The County maintains an Internal Service Fund to account for and finance its risks of loss. Under these programs, the County is self-insured for the following risks up to the maximum amount per claim as follows: Workers' Compensation, \$125,000; General Liability, \$500,000; Dental and Vision Care, \$1,500. Except for general liability, the County purchases commercial insurance for claims in excess of the preceding coverage amounts and for all other risks of loss.

For general liability claims, the County is a participant in the California State Association of Counties – Excess Insurance Authority (CSAC) excess liability insurance program. The County covers the first \$500,000 of claims. The purpose of the pool is to spread the adverse effects of losses among the member agencies. The County pays an annual basic premium for excess coverage and is assessed an annual risk premium based on an actuarial review that estimates each of the program's participant's ultimate liabilities. Should actual losses among participants be greater than anticipated, the County will be assessed its pro rata share of that deficiency. Conversely, if the actual losses are less than anticipated, the County will be refunded its pro rata share of the excess. Commercial insurance covers claims between \$500,000 and \$25,000,000. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE G: RELATED PARTY

The County of Placer provides a variety of services to the Agency including management, accounting and legal services, as well as providing services specific to redevelopment projects. Total charges for these services for the year ended June 30, 2005 were approximately \$1,219,593.

NOTE H: RESTATEMENT OF FUND BALANCE/NET ASSETS

During the year ended June 30, 2005, the Agency changed its accounting for long-term notes receivable. In prior years, long-term notes receivable were offset against a fund balance reserve. Now, long-term notes receivable are being offset against deferred revenue and will be recognized as revenue upon repayment of the notes. Accordingly, beginning fund balance for the Low and Moderate Income Special Revenue Fund decreased \$1,609,149, beginning fund balance for the Capital Projects Fund decreased by \$175,000 and beginning net assets for the Statement of Activities decreased by \$1,784,149.

REQUIRED SUPPLEMENTARY INFORMATION

REDEVELOPMENT AGENCY OF PLACER COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
LOW AND MODERATE INCOME SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 965,560	\$ 965,560	\$ 1,285,131	\$ 319,571
Use of money and property	14,082	14,082	64,799	50,717
Intergovernmental	132,000	132,000	728,669	596,669
Total revenues	<u>1,111,642</u>	<u>1,111,642</u>	<u>2,078,599</u>	<u>966,957</u>
Expenditures:				
Current:				
Administration and planning	2,174,565	2,174,565	467,057	1,707,508
Payments to other agencies	95,815	95,815	174,779	(78,964)
Project loans	--	--	302,124	(302,124)
Debt service:				
Principal	25,844	25,844	603,214	(577,370)
Interest	743	743	11,843	(11,100)
Total expenditures	<u>2,296,967</u>	<u>2,296,967</u>	<u>1,559,017</u>	<u>737,950</u>
Excess of revenues over expenditures	<u>(1,185,325)</u>	<u>(1,185,325)</u>	<u>519,582</u>	<u>1,704,907</u>
Other financing sources:				
Proceeds from long-term debt	<u>400,000</u>	<u>400,000</u>	<u>302,124</u>	<u>(97,876)</u>
Total other financing sources	<u>400,000</u>	<u>400,000</u>	<u>302,124</u>	<u>(97,876)</u>
Net change in fund balances	(785,325)	(785,325)	821,706	<u>\$ 1,607,031</u>
Fund balances, beginning of year, as restated	<u>785,325</u>	<u>785,325</u>	<u>1,161,893</u>	
Fund balances, end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,983,599</u>	

See note to required supplementary information.

**REDEVELOPMENT AGENCY OF PLACER COUNTY
NOTE TO REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE A: BUDGETARY POLICIES

The Agency follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Agency Executive Director submits to the County Board of Supervisors, acting on behalf of the Agency, a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. The Board reviews the proposed budget at specially scheduled sessions that are open to the public. The Board also conducts a public hearing on the proposed budget to obtain comments from interested persons.
3. The budget is legally enacted through passage of an ordinance.
4. The budgets for the special revenue are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgeted amounts are reflected for the original and final budget.
6. Budgetary control is exercised at the Agency's budget unit (departmental) level. All amendments or transfers of appropriations within or between objects within the same budget unit are approved by the Agency's board.

SUPPLEMENTAL INFORMATION

REDEVELOPMENT AGENCY OF PLACER COUNTY
BALANCE SHEET BY PROJECT AREA
LOW AND MODERATE INCOME SPECIAL REVENUE FUND
JUNE 30, 2005

	North Lake Tahoe	North Auburn	Sunset Industrial	Total
Assets				
Cash and investments	\$ 1,204,304	\$ 37,507	\$ 76,614	\$ 1,318,425
Deposits	3,300	--	--	3,300
Due from other governments	483,045	2,230	272,257	757,532
Notes receivable	545,446	456,842	--	1,002,288
Property held for resale	--	95,000	--	95,000
Prepaid items	498	91	137	726
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,236,593</u>	<u>\$ 591,670</u>	<u>\$ 349,008</u>	<u>\$ 3,177,271</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 612	\$ 2,006	\$ 157	\$ 2,775
Accrued payroll	29,058	3,676	875	33,609
Deferred revenue	545,446	551,842	--	1,097,288
Due to other governments	--	60,000	--	60,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>575,116</u>	<u>617,524</u>	<u>1,032</u>	<u>1,193,672</u>
Fund balances:				
Reserved for encumbrances	76,930	46	69	77,045
Unreserved, undesignated	1,584,547	(25,900)	347,907	1,906,554
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,661,477</u>	<u>(25,854)</u>	<u>347,976</u>	<u>1,983,599</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 2,236,593</u>	<u>\$ 591,670</u>	<u>\$ 349,008</u>	<u>\$ 3,177,271</u>

REDEVELOPMENT AGENCY OF PLACER COUNTY
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
BY PROJECT AREA
LOW AND MODERATE INCOME SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>North Lake Tahoe</u>	<u>North Auburn</u>	<u>Sunset Industrial</u>	<u>Total</u>
Revenues:				
Taxes	\$ 811,607	\$ 174,535	\$ 298,989	\$ 1,285,131
Use of money and property	57,528	2,407	4,864	64,799
Intergovernmental	652,506	76,130	33	728,669
	<u>1,521,641</u>	<u>253,072</u>	<u>303,886</u>	<u>2,078,599</u>
Total revenues				
Expenditures:				
Current:				
Administration and planning	306,398	122,341	38,318	467,057
Payments to other agencies	73,370	71,433	29,976	174,779
Project loans	302,124	--	--	302,124
Debt service:				
Principal	460,570	142,644	--	603,214
Interest	11,843	--	--	11,843
	<u>1,154,305</u>	<u>336,418</u>	<u>68,294</u>	<u>1,559,017</u>
Total expenditures				
Excess of revenues over expenditures	<u>367,336</u>	<u>(83,346)</u>	<u>235,592</u>	<u>519,582</u>
Other financing sources:				
Proceeds from long-term debt	<u>302,124</u>	<u>--</u>	<u>--</u>	<u>302,124</u>
Total other financing sources	<u>302,124</u>	<u>--</u>	<u>--</u>	<u>302,124</u>
Net change in fund balances	669,460	(83,346)	235,592	821,706
Fund balances, beginning of year, as restated	<u>992,017</u>	<u>57,492</u>	<u>112,384</u>	<u>1,161,893</u>
Fund balances, end of year	<u>\$ 1,661,477</u>	<u>\$ (25,854)</u>	<u>\$ 347,976</u>	<u>\$ 1,983,599</u>

REDEVELOPMENT AGENCY OF PLACER COUNTY
BALANCE SHEET BY PROJECT AREA
CAPITAL PROJECTS FUND
JUNE 30, 2005

	<u>North Lake Tahoe</u>	<u>North Auburn</u>	<u>Sunset Industrial</u>	<u>Total</u>
Assets				
Cash and investments	\$ 4,143,234	\$ 597,223	\$ 1,356,595	\$ 6,097,052
Due from other governments	--	18	24,443	24,461
Notes receivable	75,000	113,023	--	188,023
Prepaid items	1,540	236	434	2,210
Total assets	<u>\$ 4,219,774</u>	<u>\$ 710,500</u>	<u>\$ 1,381,472</u>	<u>\$ 6,311,746</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 9,071	\$ 3,012	\$ 347	\$ 12,430
Accrued payroll	16,604	7,023	3,507	27,134
Deferred revenue	75,000	113,023	--	188,023
Total liabilities	<u>100,675</u>	<u>123,058</u>	<u>3,854</u>	<u>227,587</u>
Fund balances:				
Reserved for encumbrances	150,238	4,811	197	155,246
Unreserved, designated for capital asset acquisition	--	--	450,000	450,000
Unreserved, undesignated	3,968,861	582,631	927,421	5,478,913
Total fund balances	<u>4,119,099</u>	<u>587,442</u>	<u>1,377,618</u>	<u>6,084,159</u>
Total liabilities and fund balances	<u>\$ 4,219,774</u>	<u>\$ 710,500</u>	<u>\$ 1,381,472</u>	<u>\$ 6,311,746</u>

REDEVELOPMENT AGENCY OF PLACER COUNTY
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
BY PROJECT AREA
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>North Lake Tahoe</u>	<u>North Auburn</u>	<u>Sunset Industrial</u>	<u>Total</u>
Revenues:				
Taxes	\$ 2,153,740	\$ 454,563	\$ 792,685	\$ 3,400,988
Use of money and property	78,915	14,623	20,144	113,682
Intergovernmental	113,803	1,583	332	115,718
Total revenues	<u>2,346,458</u>	<u>470,769</u>	<u>813,161</u>	<u>3,630,388</u>
Expenditures:				
Current:				
Administration and planning	491,044	223,496	102,215	816,755
Payments to other agencies	129,655	44,250	78,010	251,915
Project loans	11,000	113,023	--	124,023
Capital outlay:				
Land acquisition	485,000	--	--	485,000
Project costs	264,953	9,811	--	274,764
Debt service:				
Principal	45,334	57,203	20,876	123,413
Interest	--	--	--	--
Total expenditures	<u>1,426,986</u>	<u>447,783</u>	<u>201,101</u>	<u>2,075,870</u>
Excess of revenues over expenditures	<u>919,472</u>	<u>22,986</u>	<u>612,060</u>	<u>1,554,518</u>
Other financing sources:				
Issuance of long-term debt	<u>500,000</u>	<u>--</u>	<u>--</u>	<u>500,000</u>
Total other financing sources	<u>500,000</u>	<u>--</u>	<u>--</u>	<u>500,000</u>
Net change in fund balances	1,419,472	22,986	612,060	2,054,518
Fund balances, beginning of year, as restated	<u>2,699,627</u>	<u>564,456</u>	<u>765,558</u>	<u>4,029,641</u>
Fund balances, end of year	<u><u>\$ 4,119,099</u></u>	<u><u>\$ 587,442</u></u>	<u><u>\$ 1,377,618</u></u>	<u><u>\$ 6,084,159</u></u>

OTHER REPORT

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors of
Redevelopment Agency of the
Placer County, California

We have audited the basic financial statements of the governmental activities and major funds of the Redevelopment Agency of Placer County (Agency), a component unit of the County of Placer, California, as of and for the year ended June 30, 2005, and have issued our report thereon dated November 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States.

Board of Directors of
Redevelopment Agency of the
Placer County, California

This report is intended solely for the information and use of management, the Board of Directors, the County of Placer, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BARTIG, BASLER & RAY, CPAs, INC.

Bartig, Basler & Ray, CPAs, Inc.

November 1, 2005
Roseville, California